SECTION B

PRO FORMA ADJUSTMENTS

The Utilities Department Staff analyzed the adjustments for which it is responsible and as shown on the Audit Department's Exhibit A-1 with a "U" designation. This also included joint review of a number of adjustments. There are a total of 38 adjustments with Utilities Staff responsible for 17 of these either exclusively or partially. Theses adjustments are numbers 1, 2, 3, 4, 5, 12, 16, 17, 18, 19, 20, 21, 22, 23, 36, 37 and 38. The following adjustments are of particular note or ones that differ from the Company's proposal.

Adjustment No. 5: The Company proposed to annualize turbine operating and maintenance expense for increased cost most notably associated with the new combined cycle units at the Urquhart and Jasper plants. The adjustment is related only to specific major maintenance activities projected over an eight year cycle to be performed by outside contractors. The Company also proposes to book the difference between actual costs and allowed expense levels to a regulatory asset or liability account which would then be subject for further Commission order. Staff recognizes these are essential maintenance activities and will result in addition costs. However, due to greater uncertainty in cost and maintenance activities in the latter years, Staff feels that using an average of the initial four year estimates along with booking the difference between actual costs and rate level expense would be more appropriate. In addition the Company should report these booked amounts at the end of three years to allow for review and possible further action by the Commission.

Adjustment No. 18: This adjustment reflects the results of application of the new rates from the new depreciation study. The new study was performed using standard property grouping procedures, service life, salvage value and remaining life techniques along with analysis of the Company's historical data and future expectations of depreciable plant balances as of December 31, 2003. The new rates primarily result from use of the straight line method and the remaining and average service life depreciation procedures. The study captured the life extension of the VC Summer Nuclear Station as well as a composite 4.00% rate for the Jasper facility. The study is based on sound logic and proper techniques and is appropriate for use in this case. The resulting rates were furnished to the Audit Department.

Adjustment No. 21: In this adjustment the Company proposes to voluntarily eliminate a significant amount of expense associated with the Remediation Project at the Saluda Dam. This Project was mandated by the Federal Energy Regulatory Commission. The Company is proposing to use Federal income tax credits generated from its synthetic fuel program to offset these costs estimated to be around $270 million by completion of the Project in 2005. The effect of this adjustment is to remove in excess of 30 million additional dollars in revenue requirements from this case as well as eliminate the total investment from rate base.

Adjustment No. 23: The Company is requesting a 5 year amortization of the costs of its investment in the GridSouth Regional Transmission Organization Project to include carrying cost on the unamortized balance. This Project was in response to directives from the Federal Energy Regulatory Commission mandating creation of regional transmission organizations. Staff does not oppose amortizing these expenses but would recommend a sharing between stockholders and ratepayers similar to abandoned plant, by not including the unamortized portion (or average balance) in rate base during the 5 years.

Adjustment No. 36: This adjustment is necessary to reconcile various minor differences in the outputs between the Company's Per Book and Adjusted Cost of Service Studies; the differences are due to changes in allocators resulting from rounding and pro forma adjustments.